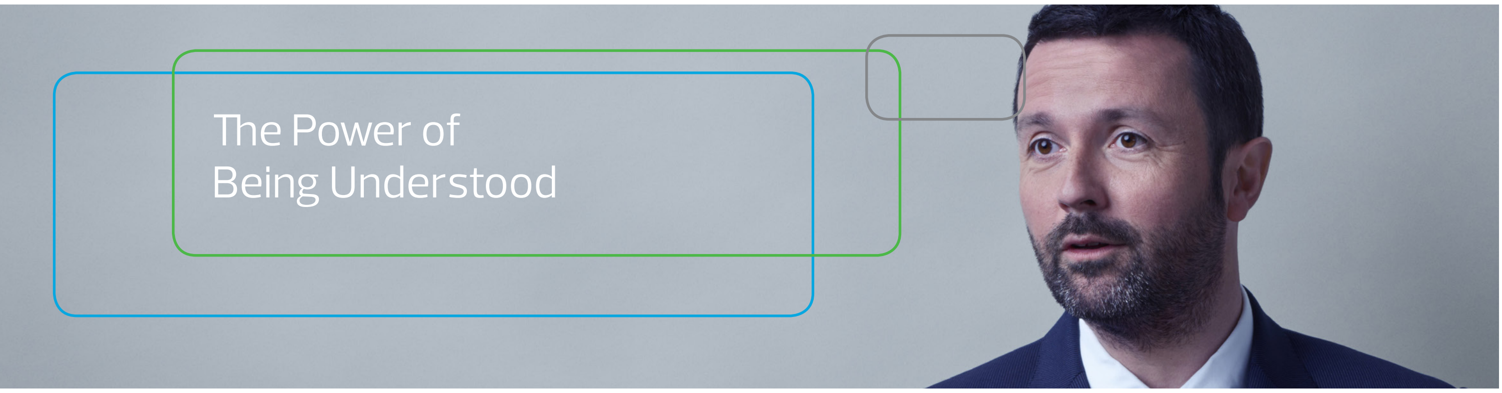

SWISS CORPORATE TAX REFORM RISKS DRIVING AWAY FUTURE INVESTMENT BY INTERNATIONAL COMPANIES, SURVEY REVEALS

A research survey conducted by tax specialists RSM Switzerland SA among international companies in Switzerland indicates that many such enterprises are reassessing their future investment plans in light of proposed Swiss tax reform.

Almost 30% of companies polled see there is a possibility they may leave Switzerland, while over 40% anticipate curtailment of future investment. In what amounts to a clear message to the Swiss government, these companies expect tax project 17 to have a severe effect on inward investment. Over 55% of respondents see the tax attractiveness of Switzerland being undermined by these measures.

The effective tax rates resulting from the corporate tax reform will impact directly the attractiveness of Switzerland for international companies. According to the majority of international company effective tax rate at which Switzerland would cease to be attractive is over 15%.

If we take the perspective of the majority of international companies located in Switzerland, 70% of respondents indicated that they will not leave Switzerland showing they believe in Swiss government to be able to adapt its corporate tax system in a way that will be satisfying for both the companies and OECD. According to the international companies, operating out of and paying tax in Switzerland allow their businesses to benefit from the stability of Switzerland and the quality of life and formation. At the same time, stay close to interact with suppliers, clients and competitor. If Switzerland remains an interesting place to stay, company's investment in Switzerland are more impacted by the upcoming reform and by the uncertainty around the final package that will be validated by the government.

With a deeper look at the situation for the cantons of Geneva, Vaud and Zurich, even if a strong part of the companies shows a willing to stay, more than a quarter of the companies announce that they are ready to leave Switzerland. Moreover, the proportion of companies which may not investing any more in Switzerland is even higher with around 45% of the companies located in the canton of Vaud, 30% in Geneva and almost 2/3 of companies in Zurich.

The decrease of the investment of international companies in Switzerland may be related to the uncertainty of the outcome of the reform resulting from a lack of communication around the reform. According to the results of the survey, the tax situation in five years appears to be not clearly for international companies. Over the next 5 years, it is not clear for companies if the tax rates in Switzerland will decrease or increase. Even if a majority of 40% expects the tax rates to go down a little, 30% expects a little increase of the tax rates. These expectations are reflected in the main cantons. In the canton of Vaud, 39% of the international companies expect a little decrease against 35% which expect a little increase of the tax rates. For Geneva, majority of the international companies expects tax rates to go down a little by contrast with Zurich where majority of the companies expects tax rates to increase a little. Nevertheless, the majority of all international companies settle in every cantons fixes their ideal rate at which they would definitively consider additional investments into Switzerland below 15%.

The problematic of the lack of information was also the reason brought by international companies to explain the rejection of CTR III. For international companies the reason of the rejection is related to the fact that the project was not transparent or comprehensible enough, such as Patent Box regime or Additional deduction for R&D expenses regime. According to international companies which respond to the questionnaire, it results that Swiss people seems to see the CTR III as too generous to foreign companies and lack of balance between international and local companies.

Unfortunately, this vote has negatively impacted the tax attractiveness of Switzerland according to 55% of the international companies located in Switzerland. This loss of attractivity has also been measured through the cantons.

Regarding the Patent Box regime, it seems that the way these regime works is not clear for international companies either. The conclusion is the same for the additional deduction for R&D expenses regime. The result is those regimes are not applicable by more than 55% of the companies located in Switzerland as well as in the cantons of Geneva and Vaud. For Zurich, those regimes are not applicable for almost 30% of the companies and for almost 30% of the companies within the canton of Zurich they don't know if those regimes are applicable to their company or business units. Nevertheless, in the case these regimes are applicable, they will encourage companies to make additional investments in Switzerland for around 40% of the companies.

We can make a link between the lack of communication and companies source of information. According to the result of our research, the companies located in the canton of Vaud, as Switzerland in general, are mostly influenced in their decision making with regards to tax by the company's national government and Swiss government. Nevertheless, the companies are rating as insufficient or poor the quality and usefulness of information received from government, tax authorities or chambers of commerce. They are more satisfied of the information provided by tax advisor or other organisations. In general, the quality and usefulness of the information received is rated as good by companies. For the majority of companies in the canton of Geneva and Vaud the main source of information remains newspapers and internet and then, comes tax advisors and finally, tax authorities or government.

To conclude, the corporate tax reform in Switzerland does not make directly leave international companies, however it results in a decrease of investment at least until the outcome of the reform will be clear. The overall results show uncertainty about the future of corporate taxation in Switzerland, indeed the results are divided and no definite opinion comes out of the study. It is then critical for the Swiss government as well as all the cantons to have a soon as possible a clear and final communication on the future state of this reform and the reduction of their corporate tax rate. First to keep companies that are currently in Switzerland, second to provide them with sufficient security for their future investments in Switzerland and third, for possibly attracting new companies and investments in Switzerland. Then, the impact of the corporate tax reform on international companies will be better measured.

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